

Condominium Insurance

OFFICE OF THE COMMISSIONER OF INSURANCE (OCI)

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When you purchase a condominium, you become the owner of the condominium unit and also acquire an undivided interest with all other unit owners in the jointly owned common areas (i.e., corridors, common walls, etc.). Common areas are usually determined by definition in the policy and by interpretation of the condominium association bylaws or declarations.

Unit owners form a condominium association to manage the condominium and also to form an entity that can own the common elements. The association owns the condominium building(s) and may also own other property, such as a clubhouse or swimming pool. Generally, such property is insured by the association. The association policy should cover the basic structure and common property as well as liability for injuries on common property. Check with your association board and your insurance agent to be certain you fully understand your insurance responsibilities and the associations.

Insurance Coverage

All homeowner's policies sold in Wisconsin are package policies that combine more than one type of insurance coverage in a single policy. There are four types of coverage that are contained in the homeowner's policy: property, liability, medical payments, and additional living expenses.

Homeowner's Form 6 (HO-6) is a package of insurance specifically designed for condominium owners. A condominium owner does not need to purchase insurance on the building that you occupy. You may, however, want to purchase insurance that provides coverage for alterations, appliances, fixtures, and improvements which are made a part of the building within the condominium unit. An HO-6 policy usually provides \$1,000 of coverage. Higher limits of coverage are available at additional cost.

Personal property coverage will pay for a number of different types of damage including theft, smoke,

vandalism, fire, explosion, falling objects, building collapse, and rupture of steam or hot water systems. Personal property includes household contents and other personal belongings used, owned or worn by you and your family. You select a specified amount of coverage.

Personal liability coverage applies to accidents on and off your property if the injury or damage is caused by you, a member of your family, or your pet. The liability coverage, usually \$100,000, pays for any damages the court rules you must pay. Higher limits are available at additional cost. Personal liability insurance does not have a deductible that you must meet before the insurer begins to pay losses. Liability coverage also provides a defense of a claim against you.

Medical payments coverage will pay if someone is injured at your condominium regardless of fault. The coverage does not apply to you and members of your household. Medical payments coverage is usually a minimum of \$1,000 for each person. Higher limits of medical payments coverage are available at additional cost.

Additional living expenses coverage will pay for you to move into a motel or apartment temporarily and will cover certain other additional living expenses when you cannot live in your condominium. The typical policy will pay an amount up to 40% of your personal property limit.

Loss assessment coverage provides an additional coverage of \$1,000 when the condominium association levies an assessment to cover expenses for direct losses to the common property. For example if someone is injured on common property, such as a swimming pool, and the courts award a judgment that is higher than the amount of liability coverage provided by the condominium/association policy. Loss assessment coverage would also provide coverage for damage to commonly owned buildings that are not fully covered by insurance. Check with your agent to see if loss assessment coverage is included in the

policy. Additional coverage may be available for an increased premium.

Additional Coverages

Your condominium owner's policy generally provides the following additional coverages:

Debris Removal. The policy covers the expense of having the debris which is left as a result of the loss removed from the premises.

Trees, Plants, and Shrubs. Trees, plants, and shrubs are usually covered for 10% of the limit of liability that applies under the personal property coverage up to \$500 per item.

Reasonable Repairs. If your property has been damaged, it is important to make any necessary temporary repairs to protect from further loss or damage. Expenses for making necessary temporary repairs are covered under your policy, so be sure to save any receipts or bills.

Credit Card Coverage. Personal property coverage extends to credit cards as well. Most policies will pay up to \$500 to cover unauthorized use of your credit cards.

Other Coverages to Consider

Absentee Ownership. If you own a home in a condominium/association but rent it to others all or most of the time, special insurance arrangements also can be made. Contact your agent for a complete review if you are in this situation.

Inflation. This coverage automatically increases the amount of insurance coverage on your building property and personal property as inflation changes the cost of replacing your property. The changes are based on the movement of an inflation index and are reflected in the premium on each renewal.

Business owners. If you operate an office or small business in your condominium unit, you would need special coverage. Check with your agent if you have a home business or a hobby that could be considered a business. This will help make sure you have the right kind of coverage.

Flood insurance. Normal condominium insurance does not cover flood losses. If your

community is a participant in the National Flood Insurance Program (NFIP), you are eligible for federally sponsored flood insurance coverage for your condominium. Contact your insurance agent to learn more about your eligibility for flood insurance protection. For general information on the flood insurance program, you may call or write:

National Flood Insurance Program
P.O. Box 459
Lanham, MD 20706-0459
1-888-FLOOD29 (356-6329)
<http://www.floodsmart.gov>

Umbrella Liability Insurance. If you need more protection than your regular policy limits, you should consider a personal liability umbrella policy. Umbrella policies supplement the liability coverage you already have through your condominium owner's policy and your auto policy and provide an extra layer of protection.

For example, if you are responsible for someone's injury that required \$150,000 of medical treatment and the liability limit of your condominium owner's policy is \$100,000, your umbrella policy will pay the additional \$50,000. Also there are some situations, such as libel and slander, that a standard policy does not cover. An umbrella liability policy enables people to protect themselves against catastrophic lawsuits in such situations.

The basic coverage limit for this separate policy is \$1 million. Higher limits are available. Umbrella policies are usually sold with a deductible that can range from \$250 to \$1,000.

How Much to Buy—Replacement Cost vs. Actual Cash Value

The main factor to consider in determining how much insurance to buy is the actual value of your belongings. This involves establishing the "actual cash value" of all your possessions—that is, the value of the property at the time it was damaged or destroyed. Actual cash value is determined by taking the cost of the property when new and subtracting the amount of depreciation that has taken place. For example, a chair which costs \$500 to replace may have a reasonable "life" of 20 years. If it is destroyed after 10 years, its actual cash value might be much less than \$500 probably about \$250. The condition of your chair would also affect your insurance payment.

If you want insurance protection for the cost of repair or replacement at current prices, you can buy a personal property replacement endorsement with your policy. Replacement cost coverage does not include a deduction for depreciation.

The easiest way to determine value is to make a complete inventory of your belongings and try and determine their value at the time of inventory. Reinventory and reevaluation of your belongings should be done annually.

Some property increases in value over a long period of time. Examples are antiques, paintings, and silverware. You should insure these objects by listing them on the policy. Usually it is best to get extra insurance for your most valuable possessions. Your policy can be modified at additional cost to protect you against such losses.

Deductibles

The deductible is the amount of any loss you must pay before the insurance company will cover damages. Deductibles reduce costs because you pay the first \$100 or \$250 of every loss.

Deductibles save the insurance companies some money, since they eliminate many small maintenance-type claims that are just as expensive as larger claims to process and settle. The savings are passed on to the consumer, who pays less for policies with deductibles.

Costs

The cost of condominium insurance depends on the type of building, the location, and the amount of insurance. A brick building, for example, is more fire-resistant than a frame-building and sometimes it costs less to insure. The building's location affects the cost of coverage because some communities have better fire protection than others. Some areas have greater crime and vandalism problems than others, which affects the cost of insuring against such losses.

What To Do If You Have A Loss

When you are the victim of a theft, fire, or accident at your condominium, you should contact your insurance agent or company immediately. You should also notify the police if the loss is by theft. Claims should be filed as soon as possible after a loss occurs. Do not hesitate to request assistance from your insurance agent in filling out your claim.

The company or agent will arrange for an adjuster from the insurance company to examine the damage and give an estimate on the cost of repair or replacement. You should negotiate the final settlement with the adjuster.

If your property has been damaged, it is important to make any necessary temporary repairs to protect from further loss or damage. For example, if windows are broken, have them boarded up to protect against vandalism or weather damage. However, no permanent repairs should be made until the company has inspected the property and agreed with you on the cost of repairs.

Some Tips On Loss Prevention

- Install smoke and heat detectors near sleeping areas.
- Keep your condominium clear of accumulated trash, oily rags, and combustible materials.
- Check lamps, lamp cords, and light switches to make sure there is no faulty wiring.
- Practice fire drills. Make sure everyone (especially children) knows what to do in case of fire.
- Keep matches away from children. Make sure that smokers do not smoke in bed.
- Install adequate locks on your condominium and take other precautions such as not letting newspapers accumulate in your absence.

What If I Have Trouble Finding Insurance?

Companies may choose the people they wish to insure. However, they may not refuse to insure you on the basis of race, color, creed, national origin, or ancestry. If you are turned down by one company, check with others. Companies have different standards.

If you try several companies and cannot find coverage, you can be insured through the Wisconsin Insurance Plan. This is a risk-pooling arrangement in which all companies selling property insurance in the state share the risk of property owners who have difficulty in securing insurance from usual market sources. You may apply through an agent or go directly to:

Wisconsin Insurance Plan
700 West Michigan Street, Suite 320
Milwaukee, WI 53233
(414) 291-5353
<http://www.wisinsplan.com>

Cancellation Requirements

Companies may not cancel your policy in the middle of a policy term unless you stop paying premiums, there has been material misrepresentation, there has been a substantial change in the risk assumed except to the extent the company should reasonably have foreseen the change or contemplated the risk, or the contract is breached in some other way. They may refuse to renew your policy at renewal time. If a company is going to refuse to continue covering you, it must mail you a written notice at least 60 days in advance so that you will have time to find other insurance. If the cancellation is because you have not paid premiums on time, only 10 days notice is necessary. When you are changing companies voluntarily, keep the policy you have until you are sure you have other coverage.

Items To Remember

- Read your policy before a loss occurs so that you will know exactly what coverages it provides and what you should do if you have a loss. If you have questions do not hesitate to ask your agent.
- Review your **condominium association by-laws and declarations** when shopping for coverage.
- Agents and companies differ. Friends may have some recommendations. If not, try the yellow pages. Agents and companies are listed alphabetically and by locations.
- If you want to know if an agent or company is licensed in the state, you may call the OCI. To find out if a company is licensed call (608) 267-9456. For agent's call (608) 266-8699. Agent and company lookup information is also available in the quick links section on OCI's Web site at oci.wi.gov.
- **Shop around.** All companies are not the same. Their prices, policy provisions, claims practices, and services differ. Do not be afraid to ask questions.
- Keep a list of all your personal property so that if it is damaged or disappears you will be able to account for it. Pictures or videos of personal property can be beneficial.

- Keep a record of the serial numbers of your most valuable possessions.
- Claims should be filed as soon as possible after the loss occurs.
- The laws of Wisconsin prohibit insurance companies from refusing, cancelling, or denying insurance coverage to a class of risks solely on the basis of past criminal record, physical, or developmental disability, mental disability, age, race, marital status, sex, sexual preference, "moral" character, location, or occupation.

You may wish to contact one of the following insurance industry associations or groups for further information:

Independent Insurance Agents of Wisconsin (IIA)
725 John Nolen Drive
Madison, Wisconsin 53713
(608) 256-4429

Professional Insurance Agents (PIA)
6401 Odana Road
Madison, Wisconsin 53719
(608) 274-8188

Community Insurance Information Center (CIIC)
700 West Michigan Street, Suite 350
Milwaukee, Wisconsin 53233
(414) 291-5360

What To Do If You Have A Complaint

For information on how to file an insurance complaint call:

(608) 266-0103 (In Madison)
or
1-800-236-8517 (Outside Madison)

OCI's World Wide Web Home Page:
oci.wi.gov

The OCI investigates complaints and attempts to bring the matter to a fair and reasonable conclusion. If any laws or rules have been violated, the office will proceed with disciplinary action. Penalties include suspension or revocation of licenses or fines. This office cannot settle a factual dispute and you may have to pursue your claim through small claims court or with an attorney.